

June 2004



North Dakota REV-E-NEWS

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Economy.com, the econometric forecasting firm used by North Dakota, reports continued growth in the national economy. Real gross domestic product (GDP) is growing by approximately 5 percent over last year. The national job market is improving and business confidence has increased. Economy.com reported in May that their "weekly survey of business confidence has never been higher."

Strong corporate profits have led to surging job growth. From 2001 to 2003, the economy lost 3 million jobs. Since the low point in summer 2003, nearly 2 million jobs have been added to the economy – 1 million in the past three months alone.

As a result of the surging jobs market, unemployment rates have begun to move downward at the national level. April 2004 seasonally adjusted unemployment fell to 5.6 percent, compared to 6 percent in April 2003. At the state

level, North Dakota's unemployment rate has also declined – to a mere 2.7 percent in April 2004, down from the 3.9 percent of April 2003.

Higher energy prices have the potential to weigh on the economy's growth. Oil prices are at all time highs; natural gas is at near record prices. Economy.com reports that "since the beginning of this year, annualized consumer spending on all energy products and services has soared by a whopping \$50 billion, to some \$450 billion, accounting for some 5% of all consumer spending."

Although increasing energy prices could dampen the national economic recovery and threaten to restrict consumer spending on other goods and services, higher crude oil prices have had a positive impact on North Dakota revenue collections. Increases in price and production have resulted in additional oil and gas tax collections of approximately \$3.8 million so far this biennium.



Oil Activity

April oil production of 82,996 barrels per day was up over 1,000 barrels per day from March's production of 81,904 barrels per day. Oil prices remain high. Prices averaged \$29 in February and \$31 in March and April. Current prices are around \$32 per barrel.

The rig count has decreased 4 rigs from last month to 14 rigs. There were 13 rigs operating one year ago. Drilling permits have increased significantly from 16 permits in March to 33 in April.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2003-05 BIENNIUM
May 2004

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 Forecast	Actual	Variance	Percent	March 2003 Forecast	Actual	Variance	Percent
Sales Tax	29,040,000	22,961,033	(6,078,967)	-20.9%	298,326,000	308,330,146	10,004,146	3.4%
Motor Vehicle Excise Tax	5,374,000	5,942,204	568,204	10.6%	57,258,000	58,518,033	1,260,033	2.2%
Individual Income Tax	17,153,000	5,521,119	(11,631,881)	-67.8%	202,378,000	202,237,349	(140,651)	-0.1%
Corporate Income Tax	2,377,000	2,453,632	76,632	3.2%	35,927,000	32,551,301	(3,375,699)	-9.4%
Insurance Premium Tax	4,850,000	3,900,541	(949,459)	-19.6%	26,162,000	25,675,425	(486,575)	-1.9%
Financial Institutions Tax	52,000	(1,713)	(53,713)	-103.3%	2,572,000	2,637,890	65,890	2.6%
Oil & Gas Production Tax	1,715,000	2,367,419	652,419	38.0%	20,302,000	24,424,153	4,122,153	20.3%
Gaming Tax	1,900,000	1,395,826	(504,174)	-26.5%	11,400,000	11,006,275	(393,725)	-3.5%
Lottery								
Interest Income	371,000	55,348	(315,652)	-85.1%	3,931,000	781,477	(3,149,523)	-80.1%
Oil Extraction Tax	1,163,000	1,094,007	(68,993)	-5.9%	13,763,000	13,462,982	(300,018)	-2.2%
Cigarette & Tobacco Tax	1,537,000	1,467,872	(69,128)	-4.5%	17,038,000	18,276,993	1,238,993	7.3%
Departmental Collections	1,300,000	1,439,701	139,701	10.7%	26,376,648	30,048,840	3,672,192	13.9%
Wholesale Liquor Tax	473,000	512,143	39,143	8.3%	5,217,000	5,412,821	195,821	3.8%
Coal Conversion Tax	1,924,000	1,985,761	61,761	3.2%	21,527,000	22,360,041	833,041	3.9%
Mineral Leasing Fees	350,000	461,808	111,808	31.9%	2,590,000	3,353,283	763,283	29.5%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					698,100	698,100	-	0.0%
Other Transfers		93,489	93,489	100.0%	18,410,000	18,641,176	231,176	1.3%
Total	69,579,000	51,650,190	(17,928,810)	-25.8%	763,875,748	778,416,285	14,540,537	1.9%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief -Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	69,579,000	51,650,190	(17,928,810)	-25.8%	763,875,748	834,872,866	70,997,118	9.3%

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2003-05 BIENNIUM
May 2004

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	May 2002	May 2004	Variance	Percent	2001-03	2003-05	Variance	Percent
Sales Tax	26,679,631	22,961,033	(3,718,599)	-13.9%	288,671,748	308,330,146	19,658,398	6.8%
Motor Vehicle Excise Tax	5,169,030	5,942,204	773,174	15.0%	56,093,256	58,518,033	2,424,777	4.3%
Individual Income Tax	14,392,485	5,521,119	(8,871,366)	-61.6%	188,632,355	202,237,349	13,604,994	7.2%
Corporate Income Tax	3,073,288	2,453,632	(619,656)	-20.2%	34,840,973	32,551,301	(2,289,671)	-6.6%
Insurance Premium Tax	4,336,592	3,900,541	(436,051)	-10.1%	22,330,013	25,675,425	3,345,412	15.0%
Financial Institutions Tax	30,990	(1,713)	(32,703)	-105.5%	3,578,346	2,637,890	(940,456)	-26.3%
Oil & Gas Production Tax	4,184,796	2,367,419	(1,817,377)	-43.4%	18,252,849	24,424,153	6,171,304	33.8%
Gaming Tax	2,457,199	1,395,826	(1,061,373)	-43.2%	12,753,876	11,006,275	(1,747,601)	-13.7%
Interest Income	151,128	55,348	(95,780)	-63.4%	3,259,774	781,477	(2,478,297)	-76.0%
Oil Extraction Tax	1,925,428	1,094,007	(831,420)	-43.2%	9,584,638	13,462,982	3,878,344	40.5%
Cigarette & Tobacco Tax	1,639,603	1,467,872	(171,732)	-10.5%	18,478,046	18,276,993	(201,053)	-1.1%
Departmental Collections	1,379,703	1,439,701	59,997	4.3%	26,359,110	30,048,840	3,689,729	14.0%
Wholesale Liquor Tax	462,839	512,143	49,304	10.7%	4,995,394	5,412,821	417,427	8.4%
Coal Conversion Tax	3,973,081	1,985,761	(1,987,320)	-50.0%	21,317,821	22,360,041	1,042,220	4.9%
Mineral Leasing Fees	796,062	461,808	(334,254)	-42.0%	2,728,807	3,353,283	624,476	22.9%
Bank of North Dakota-Transfer					15,000,000		(15,000,000)	-100.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					681,696	698,100	16,404	2.4%
Other Transfers	2,047	93,489	91,442	100.0%	70,384	18,641,176	18,570,791	100.0%
Total	70,653,902	51,650,190	(19,003,712)	-26.9%	727,629,087	778,416,285	50,787,199	7.0%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief - Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	70,653,902	51,650,190	(19,003,712)	-26.9%	727,629,087	834,872,866	107,243,780	14.7%

Revenue Variances

Primarily as a result of timing issues initially reported in April, May 2004 revenue collections fell below forecast by \$17.9 million. However, biennium to date revenue collections still exceed the legislative forecast by over \$14.5 million, excluding the impact of the \$56.5 million in federal fiscal relief payments received by the state and deposited in the general fund.

Sales tax collections for the month fell below forecast by \$6.1 million, primarily as a result of the timing of tax collections received by the state. As a result of the month-end falling on a holiday weekend, some May sales tax collections will not be recorded until June. Biennium to date collections continue to exceed forecasted collections by \$10 million, or 3.4 percent. Sales tax collections in June have been strong, indicating that at least a portion of the May shortfall should be corrected in June.

Motor vehicle excise tax collections exceeded the forecast by nearly \$600,000, or 10.6 percent for the month. Biennium to date collections exceed forecast by \$1.3 million, or 2.2 percent.

Individual income tax collections fell short of projections by \$11.6 million, partially offsetting the \$12

million increase shown last month. As reported in April, this timing issue is partially a result of taxpayers transitioning to electronic filing. Withholding deposits that were previously mailed on the last day of the month and recorded in the subsequent month are now processed on the last day of the month

Insurance premium tax collections fell short of monthly projections by approximately \$950,000, largely due to the timing of payments received by the state. The May shortfall is expected to be corrected in June.

Oil and gas production taxes exceeded the monthly forecast by \$600,000. Biennium to date collections are up \$3.8 million. This increase is primarily a result of increases in crude oil prices; however, production has begun to increase as well.

Comments or Questions???

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